

Message Text

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14-12
ACTION EA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 /090 W
----- 034439

R 060717Z MAY 75
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 9920
INFO AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY CANBERRA
AMEMBASSY THE HAGUE
AMCONSUL HONG KONG
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY SEOUL
AMEMBASSY STOCKHOLM
US MISSION EC BRUSSELS
US MISSION OECD PARIS

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PASS TREASURY FOR WIDMAN AND SPRINGBORN

E.O. 11652: N/A
TAGS: EFIN JA
SUBJ: TOKYO FOREX MARKET DEVELOPMENTS

SUMMARY: TOKYO FOREX MARKET CONTINUES TO EXHIBIT CALM
ATMOSPHERE OBSERVED SINCE MID-MARCH PERIOD. FOREX RATE HAS
FLUCTUATED WITHIN VERY CLOSE RANGE 288-294 YEN/DOL, WITH
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SOME RECENT TENDENCY FOR DOLLAR TO WEAKEN SLIGHTLY RELATIVE
TO YEN DURING PAST WEEK. END SUMMARY.

1. THROUGHOUT APRIL TOKYO FOREX MARKET HAS REMAINED

UNUSUALLY CALM, WITH DAILY MOVEMENTS OF CENTRAL SPOT RATE QUITE SMALL AND SPOT VOLUME NEVER ABOVE 100 MIL DOL UNTIL ONSET OF HOLIDAY SEASON APRIL 28-MAY 5. IN VIEW OF CALM MARKET CONDITIONS BOJ REFRAINED FROM ANY INTERVENTION DURING ENTIRE MONTH OF APRIL. BOJ SOURCE DESCRIBED FOREX MARKET AS EXHIBITING QTE REMARKABLE SELF-STABILIZING TENDENCY UNQTE, AND NOTED THAT MARKET WAS ALSO QUIET DURING APRIL-MAY PERIOD LAST YEAR.

2. DURING APRIL FORWARD DOLLAR HAS TYPICALLY BEEN AT DISCOUNT TO YEN ON TOKYO FOREX MARKET REFLECTING WIDE-SPREAD VIEW THAT VALUE OF DOLLAR IN TERMS OF YEN IS NOT LIKELY TO BE MUCH ABOVE 290 YEN/DOL AND THAT VALUE MIGHT APPROACH 280 DURING SUMMER. BOTH GOVT AND PRIVATE FINANCIAL SOURCES NOTED THAT DEMAND FOR DOLLARS IN TOKYO MARKET LIKELY TO DECLINE DURING MAY SINCE BORROWING FOR IMPORT USANCE (3-4 MONTHS EARLIER) FELL SHARPLY IN JAN AND FEB. SUPPLY OF DOLLARS FROM CAPITAL MOVEMENTS REMAINS STRONG, ALTHOUGH FLOW INTO JAPANESE SECURITIES HAS EASED SOMEWHAT WITH SLIGHT NARROWING OF GAP BETWEEN TOKYO AND EUROPEAN MARKET PRICES AND YIELDS.

3. LAST WEEK'S ACTIVITY PROVIDES SOME EVIDENCE OF TENDENCY FOR DOLLAR TO DECLINE SLIGHTLY VIS-A-VIS YEN. FROM MONDAY, APRIL 28, CENTRAL SPOT RATE OF 294.40 YEN/DOL, DOLLAR EASED STEADILY TO 291.60 YEN/DOL ON THURSDAY, MAY 1. FRIDAY CENTRAL SPOT RATE OF 292.00 YEN/DOL WAS REACHED DURING EARLY PART OF MORNING SESSION; MARKET EASED THEREAFTER AS SOME TRADING COMPANIES SOLD EXPORT BILLS PRIOR TO MATURITY. THREE-MONTH FORWARD RATE FOR DOLLARS HAS BEEN AT RELATIVELY GREATER DISCOUNT DURING LAST WEEK, REACHING 3.53 PCT. P.A. ON APRIL 28 AND 3.01 PCT. P.A. ON MAY 2. NEVERTHELESS, SLIGHTLY WIDER MOVEMENTS OF SPOT AND FORWARD RATES DURING WEEK HAVE OCCURRED AMID CALM TRADING AND BOJ HAS CONTINUED TO STAY OUT OF MARKET.

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4. FOLLOWING ARE DATA FOR SPOT (CENTRAL) AND FORWARD DOLLAR RATES WITH WEEKLY SPOT, FORWARD AND SWAP VOLUMES FOR MARCH 17 - MAY 2 PERIOD (I.E. SINCE LAST REPORTED TOKYO 3385).

	CENTRAL SPOT RATE (YEN/DOL)	FORWARD DOLLARS (PREMIA IN PCT. P.A.) 3-MO	6-MO
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WEEK OF MAR 17-21:

HIGH	288.40	1.04	0.70
LOW	286.55	NEG 0.07	0.21

WKLY VOL IN MIL DOLS: SPOT 399, FWD 324, SWAP 530

WEEK OF MAR 24-28:

HIGH 292.30 2.35 1.18

LOW 287.60 0.12 0.41

WKLY VOL IN MIL DOLS: SPOT 595, FWD 553, SWAP 588

WEEK OF MAR 31-APRIL 4:

HIGH 233.80 FLAT 0.31

LOW 291.30 NEG 0.75 NEG 0.17

WKLY VOL IN MIL DOLS: SPOT 516, FWD 505, SWAP 624

WEEK OF APRIL 7-11:

HIGH 292.20 NEG 0.21 NEG 0.10

LOW 291.50 NEG 1.72 NEG 0.41

WKLY VOL IN MIL DOLS: SPOT 366, FWD 468, SWAP 528

WEEK OF APRIL 14-18:

HIGH 291.80 NEG 0.48 NEG 0.06

LOW PU 290.60 NEG 0.75 NEG 0.34

WKLY VOL IN MIL DOLS: SPOT 397, FWD 505, SWAP 510

WEEK OF APRIL 21-25:

HIGH 293.10 NEG 1.03 NEG 0.27

LOW 292.40 NEG 1.98 NEG 0.99

WKLY VOL IN MIL DOLS: SPOT 375, FWD 494, SWAP 627

WEEK OF APRIL 28-MAY 2:

APRIL 28 294.40 NEG 3.53 NEG 1.63

29 H O L I D A Y

30 293.30 NEG 2.18 NEG 0.80

MAY 1 291.60 NEG 0.82 NEG 0.34

2 292.00 ASTERISK NEG 3.01 NEG 0.86

ASTERISK NOTE: AT MARKET CLOSE SPOT RATE WAS 290.85

WKLY VOL IN MIL DOLS: SPOT 394, FWD 352, SWAP 504

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